

**BELMOND-KLEMMÉ**  
**COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2009

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**BELMOND-KLEMM COMMUNITY SCHOOL DISTRICT**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education  
(Before September 2008 Election)**

Jim Swenson	President	2009
Steve Tenold	Vice President	2011
Kevin Brunes		2008
Claude Post		2008
Mark Jenison		2009
Dennis Lowenberg		2009
Stan Olsen		2008

**(After September, 2008 Election)**

Jim Swenson	President	2009
Steve Tenold	Vice President	2011
Curt Stadtlander		2011
Claude Post		2011
Mark Jenison		2009
Dennis Lowenberg	Resigned, January 2009	
Lynn Loux		2011
Becky Kindwall	Appointed, January 2009	2009

**School Officials**

Larry Frakes	Superintendent
Lisa Nelson	District Secretary
Diane Trampel	District Treasurer

# BRUCE D. FRINK

Certified Public Accountant

## Independent Auditor's Report

### Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

### Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance

### Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of  
Belmond-Klemme Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Belmond-Klemme Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express an opinion on these financial statements based on our audit.

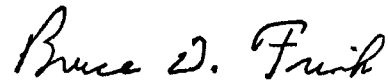
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of Belmond-Klemme Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 25, 2010 on our consideration of Belmond-Klemme Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 4 through 11 and 31 through 32 are not required parts of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Belmond-Klemme Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplemental information included in Schedules 1 through 4, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**BRUCE D. FRINK**  
**Certified Public Accountant**

March 25, 2010

## **BELMOND-KLEMMER COMMUNITY SCHOOL DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the Belmont-Klemme Community School District's Comprehensive Annual Financial Report presents its "discussion and analysis" of the District's financial performance during the fiscal year ending June 30, 2009. Please read it in conjunction with the District's financial statements.

#### **2009 FINANCIAL HIGHLIGHTS**

- The District's General Fund balance decreased by over \$60,000. The District had revenues of \$7,105,967 and \$7,171,753 was spent during the year.
- Revenues showed a 6% increase from the prior year. State revenues increased, but much of that increase was designated for specific purposes. Tuition revenues and miscellaneous revenues fell.
- The District has actively pursued grants from various sources and is investigating sharing options in order to enhance the District's course offerings.
- The District began collecting statewide sales and services tax money in fiscal year 2009. It is being used to address infrastructure needs in the District and provide property tax relief for debt payments.
- Resident enrollment decreased 9.9 students from fiscal year 2008 to fiscal year 2009. The number of students served in District facilities increased by 2.8 students due to a net increase of 12.7 open enrollment students.
- The District occupied its new elementary school in fiscal year 2009. This is being paid with a combination of sales and property taxes.

#### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Belmont-Klemme Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Belmont-Klemme Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Belmont-Klemme Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the Student Activities and fiduciary funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**

***Belmond-Klemme Community School District Annual Financial Report***

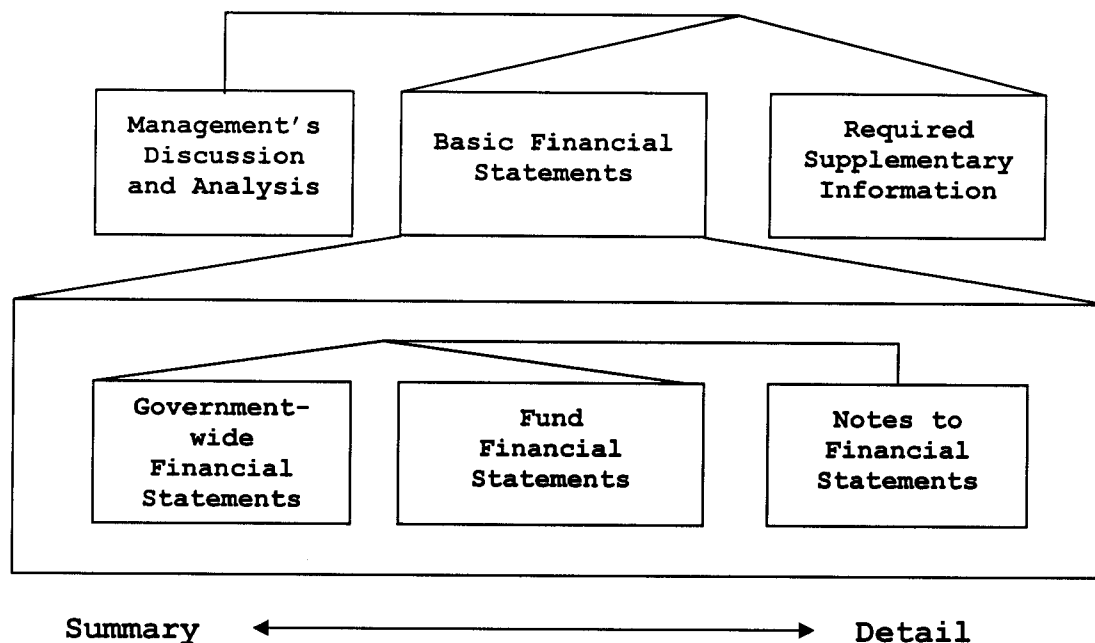


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**

**Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Fund	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activity the District operates similar to private businesses: food services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long- term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District has elected to treat all funds as "major" funds for clarity of presentation.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, Debt Service Fund, Physical Plant and Equipment Levy and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses, changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2009 compared to 2008.

<b>Figure A-3</b> <b>Condensed Statement of Net Assets</b> <b>(Expressed in Thousands)</b>							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Current assets	\$ 9,938	9,741	49	115	9,987	9,856	1.33%
Capital assets	9,407	6,803	86	27	9,493	6,830	38.99%
Total assets	19,345	16,544	135	142	19,480	16,686	16.74%
Current liabilities	7,117	6,977	-	10	7,117	6,987	1.86%
Non-current liabilities	5,945	6,170	-	-	5,945	6,170	100.00%
Total liabilities	13,062	13,147	-	10	13,062	13,157	-0.72%
Net Assets							
Invested in capital assets, net of related debt	3,462	633	86	27	3,548	660	437.58%
Restricted	2,928	2,803	-	-	2,928	2,803	4.46%
Unrestricted	(107)	(39)	49	105	(58)	66	-187.88%
Total net assets	\$ 6,283	3,397	135	132	6,418	3,529	81.86%

The combined net assets of the District increased by 80%. This was due primarily to the increase in capital assets as the District completed the elementary school project.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4							
Changes in Net Assets							
(Expressed in Thousands)							
Governmental Activities		Business type Activities		Total School District		Total Change	
2009	2008	2009	2008	2009	2008	2008-2009	
Revenues:							
Program revenues:							
Charges for service and sales	\$ 293	295	146	141	439	436	0.69%
Operating grants, contributions and restricted interest	1,223	1,209	165	137	1,388	1,346	3.12%
Capital grants, contributions and restricted interest	2,342	942	-	-	2,342	942	100.00%
General revenues:							
Property tax	3,079	2,885	-	-	3,079	2,885	6.72%
Income surtax	100	96	-	-	100	96	4.17%
Local option sales tax	301	424	-	-	301	424	-29.01%
Unrestricted state grants	2,925	2,886	-	-	2,925	2,886	1.35%
Unrestricted investment earnings	107	117	-	-	107	117	-8.55%
Other	47	18	-	-	47	18	161.11%
Total revenues	10,417	8,872	311	278	10,728	9,150	17.25%
Program expenses:							
Governmental activities:							
Instruction	4,635	5,033	-	-	4,635	5,033	-7.91%
Support services	1,961	2,163	-	-	1,961	2,163	-9.34%
Non-instructional programs	8	8	307	239	315	247	27.53%
Other expenses	927	1,556	-	-	927	1,556	-40.42%
Total expenses	7,531	8,760	307	239	7,838	8,999	-12.90%
Change in net assets	\$ 2,886	112	4	39	2,890	151	1813.91%

Property tax and unrestricted state grants account for 56% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 84% of the total expenses.

#### Governmental Activities

Revenues for governmental activities were \$10,417,346 and expenses were \$7,531,524 for the year ended June 30, 2009. The District reduced discretionary spending in an effort to restore a positive General Fund balance.

Inadequate allowable growth prevents obtaining additional revenues from normal funding sources. Normal payroll increases exceed new money generated by the state formula each year.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2009 compared to the year ended June 30, 2008.

<b>Figure A-5</b> <b>Total and Net Cost of Governmental Activities</b> <b>(Expressed in Thousands)</b>						
	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-2009	2009	2008	Change 2008-2009
Instruction	\$ 4,635	5,033	-7.91%	3,397	3,861	-12.02%
Support services	1,961	2,163	-9.34%	1,954	2,107	-7.26%
Non-instructional programs	8	8	0.00%	8	8	0.00%
Other expenses	927	1,556	-40.42%	(1,685)	338	-598.52%
Totals	<u>\$ 7,531</u>	<u>8,760</u>	<u>-14.03%</u>	<u>3,674</u>	<u>6,314</u>	<u>-41.81%</u>

For the year ended June 30, 2009:

- The cost financed by users of the District's programs was \$293,437.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$655,866.
- The net cost of governmental activities was financed with \$3,079,094 in property tax and \$2,924,533 in state foundation aid.
- The District received \$18,223 from a federal construction grant in 2009. The total grant yielded over \$500,000 in additional funding for the elementary school project.

#### **Proprietary-Type Activities**

Revenues for the District's School Nutrition Fund were \$311,389 and expenses were \$307,382. The revenues include: charges for services, contributions, and federal and state reimbursements.

#### **Fiduciary Fund Activities**

The Trust Funds are funds given and designated by outside groups and people basically to be given as scholarships. These funds are not to be used to support the operations of the District.

#### **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The Belmont-Klemme Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District is reflected in its governmental funds. As the District completed the fiscal year, its governmental funds reported combined fund balances of \$2,851,375, which is 2% greater than last year's ending fund balance of \$2,809,496.

The major difference was an increase in the Capital Projects Fund.

## **Governmental Fund Highlights**

- The District controlled its General Fund expenses by holding the line on payroll and discretionary spending and obtaining outside grants.
- Allowable growth of 4% or less is inadequate to maintain educational programs at their current level without dipping into existing reserves.
- A 1½% midyear cut in state aid negated some savings planned by the District.

## **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget after the required public notice and hearing. The budget for the current fiscal year is usually amended each April for revenues and expenditures that could not be anticipated the prior April. The budget amending process follows similar statutory procedures.

It is the District's practice, as is in most Iowa school districts, to budget expenditures at or about the maximum authorized spending. As a result, the District's certified budget should always exceed the actual expenditures for the year. Expenditures did not exceed the budget as a total.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

By the end of fiscal year 2009, the District has invested more than \$15,000,000 in a broad range of capital assets including school buildings, athletic facilities, kitchens, computers and audio-visual equipment, administration building, transportation/storage facility, maintenance equipment, school buses, and other vehicles, library holdings and textbooks. Total depreciation expense for the year exceeded \$448,000.

### **Long-term Debt**

The District has \$5,945,000 of bonds outstanding at June 30, 2009. These bonds will be repaid from a combination of property tax and statewide sales and services tax through 2026.

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Enrollment changes will have a major effect on the District's General Fund.
- The District completed construction on a new elementary school in 2008.
- Inadequate funding and state aid cuts by the Legislature have forced the District to deplete its reserves and look for alternative sources of funding and areas to further cut costs.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, and creditors with a general overview of the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Larry Frakes, Superintendent, Belmond-Klemme Community Schools, 411 10<sup>th</sup> Ave NE, Belmond, Iowa 50421.

## **Basic Financial Statements**

## BELMOND-KLEMM COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 3,601,509	45,947	3,647,456
ISCAP investments	2,771,421	-	2,771,421
Receivables:			
Property tax:			
Current year	52,608	-	52,608
Succeeding year	3,294,023	-	3,294,023
Income surtax - succeeding year	87,325	-	87,325
ISCAP accrued interest	12,075	-	12,075
Due from other governments	119,214	-	119,214
Inventories	-	2,930	2,930
Capital assets, net of accumulated depreciation	9,407,111	86,318	9,493,429
<b>Total assets</b>	<u>19,345,286</u>	<u>135,195</u>	<u>19,480,481</u>
<b>Liabilities</b>			
Accounts payable	260,413	-	260,413
Accrued salary and benefits	554,472	-	554,472
Accrued interest payable	117,618	-	117,618
ISCAP warrants payable	2,732,000	-	2,732,000
ISCAP unamortized premium	42,131	-	42,131
ISCAP accrued interest payable	17,241	-	17,241
Deferred revenue:			
Succeeding year property tax	3,294,023	-	3,294,023
Federal programs	99,195	-	99,195
Long term liabilities:			
Portion due within one year:			
General obligation bonds payable	235,000	-	235,000
Portion due after one year:			
General obligation bonds payable	5,710,000	-	5,710,000
<b>Total liabilities</b>	<u>13,062,093</u>	<u>-</u>	<u>13,062,093</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	3,462,111	86,318	3,548,429
Restricted for:			
Capital Projects	2,191,427	-	2,191,427
Physical Plant and Equipment Levy	466,817	-	466,817
Management Fund	150,379	-	150,379
Debt Service	95,193	-	95,193
Categorical funding	24,112	-	24,112
Unrestricted	(106,846)	48,877	(57,969)
<b>Total net assets</b>	<u>\$ 6,283,193</u>	<u>135,195</u>	<u>6,418,388</u>

See notes to financial statements.

## BELMOND-KLEMM COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Expenses</b>						
\$ 4,635,065	293,357	944,997	-	(3,396,711)	-	(3,396,711)
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Support services:						
Student services	158,483	-	-	(158,483)	-	(158,483)
Instructional staff services	278,353	-	-	(278,353)	-	(278,353)
Administration services	659,990	-	-	(659,990)	-	(659,990)
Operation and maintenance of plant services	557,868	7,406	-	(550,462)	-	(550,462)
Transportation services	306,553	-	-	(306,473)	-	(306,473)
	1,961,247	7,406	-	(1,953,761)	-	(1,953,761)
Non-instructional programs:						
Food service operations	8,017	-	-	(8,017)	-	(8,017)
Other expenditures:						
Facilities acquisition and construction	15,616	-	2,342,097	2,326,481	-	2,326,481
AEA flowthrough	270,167	270,167	-	-	-	-
Interest on long term debt	240,017	134	-	(239,883)	-	(239,883)
Services on long term debt	400	-	-	(400)	-	(400)
Depreciation (unallocated)*	400,995	-	-	(400,995)	-	(400,995)
	927,195	270,301	-	1,685,203	-	1,685,203
Total governmental activities	7,531,524	1,222,704	2,342,097	(3,673,286)	-	(3,673,286)



**BELMOND-KLEMM COMMUNITY SCHOOL DISTRICT**

Statement of Activities

Year ended June 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities
Expenses					Total
Business type activities:					
Non-instructional programs:					
Nutrition services	307,382	146,166	165,223	-	4,007
Total	<u>\$ 7,838,906</u>	<u>439,603</u>	<u>1,387,927</u>	<u>(3,673,286)</u>	<u>4,007</u>
			<u>2,342,097</u>		<u>(3,669,279)</u>
<b>General Revenues:</b>					
Property tax levied for:					
General purposes				\$ 2,564,442	-
Management fund				95,090	-
Capital outlay				206,249	-
Debt service				213,313	-
Income surtax				100,101	-
Statewide sales and services tax				300,852	-
Unrestricted state grants				2,924,533	-
Unrestricted investment earnings				107,246	-
Sale of property and materials				5,370	-
Other				41,912	-
Total general revenues				<u>6,559,108</u>	<u>-</u>
Change in net assets				2,885,822	4,007
Net assets beginning of year				3,397,371	131,188
Net assets end of year				<u>\$ 6,283,193</u>	<u>135,195</u>
					<u>6,418,388</u>

\* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

## BELMOND-KLEMM COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2009

**Assets**

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
Cash and pooled investments	\$ 658,244	34,414	148,671	515,695	2,152,908	91,577	3,601,509
ISCAP investments	2,771,421	-	-	-	-	-	2,771,421
Receivables:							
Property tax:							
Current year	43,725	-	1,708	3,559	-	3,616	52,608
Succeeding year	2,729,177	-	100,000	221,355	-	243,491	3,294,023
Income surtax - succeeding year	87,325	-	-	-	-	-	87,325
ISCAP accrued interest	12,075	-	-	-	-	-	12,075
Due from other governments	79,842	-	-	-	39,372	-	119,214
<b>Total assets</b>	<b>\$ 6,381,809</b>	<b>34,414</b>	<b>250,379</b>	<b>740,609</b>	<b>2,192,280</b>	<b>338,684</b>	<b>9,938,175</b>

BELMOND-KLENME COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2009

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
<b>Liabilities and Fund Balances</b>							
Liabilities:							
Accounts payable	\$ 207,123	-	-	52,437	853	-	260,413
Accrued salary and benefits	554,472	-	-	-	-	-	554,472
ISCAP warrants payable	2,732,000	-	-	-	-	-	2,732,000
ISCAP unamortized premium	42,131	-	-	-	-	-	42,131
ISCAP accrued interest payable	17,241	-	-	-	-	-	17,241
Deferred revenue:							
Succeeding year property tax	2,729,177	-	100,000	221,355	-	243,491	3,294,023
Succeeding year income surtax	87,325	-	-	-	-	-	87,325
Federal programs	99,195	-	-	-	-	-	99,195
Total liabilities	6,468,664	-	100,000	273,792	853	243,491	7,086,800
Fund balances:							
Reserved for capital projects	-	-	-	-	2,191,427	-	2,191,427
Reserved for debt service	-	-	-	-	-	95,193	95,193
Reserved for categorical funding	24,112	-	-	-	-	-	24,112
Unreserved	(110,967)	34,414	150,379	466,817	-	-	540,643
Total fund balance	(86,855)	34,414	150,379	466,817	2,191,427	95,193	2,851,375
<b>Total liabilities and fund balances</b>	<b>\$ 6,381,809</b>	<b>34,414</b>	<b>250,379</b>	<b>740,609</b>	<b>2,192,280</b>	<b>338,684</b>	<b>9,938,175</b>

See notes to financial statements.

## BELMOND-KLEMME COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2009

<b>Total fund balances of governmental funds (Exhibit C)</b>	\$ 2,851,375
<b><i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i></b>	
Income surtax receivable at June 30, 2009 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets.	87,325
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	9,407,111
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(117,618)
Long-term liabilities, including bonds payable and early retirement payments are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds	<u>(5,945,000)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>\$ 6,283,193</u></u>

See notes to financial statements.

**BELMOND-KLEMME COMMUNITY SCHOOL DISTRICT**

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Fund Types

Year ended June 30, 2009

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
<b>Revenues:</b>							
Local sources:							
Local tax	\$ 2,662,291	-	95,090	206,249	300,852	213,313	3,477,795
Tuition	253,437	-	-	-	-	-	253,437
Other	198,224	138,616	3,142	4,070	2,123,874	-	2,467,926
State sources	3,846,806	-	62	132	-	134	3,847,134
Federal sources	145,209	-	-	-	218,223	-	363,432
Total revenues	<u>7,105,967</u>	<u>138,616</u>	<u>98,294</u>	<u>210,451</u>	<u>2,642,949</u>	<u>213,447</u>	<u>10,409,724</u>
<b>Expenditures:</b>							
Instruction	5,038,946	129,474	25,372	2,965	-	-	5,196,757
<b>Support services:</b>							
Student services	158,483	-	-	-	-	-	158,483
Instructional staff services	278,353	-	-	-	-	-	278,353
Administration services	618,909	-	40,767	314	-	-	659,990
Operation and maintenance of plant services	538,800	-	19,068	-	-	-	557,868
Transportation services	268,095	-	-	-	-	-	268,095
	<u>1,862,640</u>	<u>-</u>	<u>59,835</u>	<u>314</u>	<u>-</u>	<u>-</u>	<u>1,922,789</u>
<b>Non-instructional programs:</b>							
Food service operations	-	-	8,017	-	-	-	8,017
<b>Other expenditures:</b>							
Facilities acquisition and construction	-	-	-	15,616	2,481,671	-	2,497,287
Long-term debt:							
Principal	-	-	-	-	-	225,000	225,000
Interest	-	-	-	-	-	244,798	244,798
Services	-	-	-	-	-	400	400
AEA flowthrough	270,167	-	-	-	-	-	270,167
	<u>270,167</u>	<u>-</u>	<u>-</u>	<u>15,616</u>	<u>2,481,671</u>	<u>470,198</u>	<u>3,237,652</u>
Total expenditures	<u>7,171,753</u>	<u>129,474</u>	<u>93,224</u>	<u>18,895</u>	<u>2,481,671</u>	<u>470,198</u>	<u>10,365,215</u>

**BELMOND-KLEMM COMMUNITY SCHOOL DISTRICT**

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Fund Types

Year ended June 30, 2009

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
Excess (deficiency) of revenues over (under) expenditures	(65,786)	9,142	5,070	191,556	161,278	(256,751)	44,509
Other financing sources (uses):							
Sale of property and materials	5,370	-	-	-	-	-	5,370
Operating transfers in	-	-	-	-	-	260,388	260,388
Operating transfers (out)	-	-	-	-	(260,388)	-	(260,388)
Total other financial sources (uses)	5,370	-	-	-	(260,388)	260,388	5,370
Net change in fund balance	(60,416)	9,142	5,070	191,556	(99,110)	3,637	49,879
Fund balances beginning of year	(26,439)	25,272	145,309	275,261	2,290,537	91,556	2,801,496
Fund balances end of year	\$ (86,855)	34,414	150,379	466,817	2,191,427	95,193	2,851,375

See notes to financial statements.

## BELMOND-KLEMM COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
 Changes in Fund Balances - Governmental Funds  
 to the Statement of Activities

Year ended June 30, 2009

Net change in fund balances - total governmental funds (Exhibit E) \$ 49,879

**Amounts reported for governmental activities in the Statement of  
 Activities are different because:**

Income surtaxes not collected for several months after the District's  
 fiscal year ends are not considered "available" revenues in the  
 governmental funds and are included as deferred revenues. They are,  
 however, recorded as revenues in the statement of activities  
 This represents the change from FY08 to FY09

2,252

Capital outlays to purchase or build capital assets are reported in  
 governmental funds as expenditures. However, those costs are not  
 reported in the Statement of Net Activities and are allocated over their  
 estimated useful lives as depreciation expense in the Statement of  
 Activities. The amounts of capital outlays and depreciation expense  
 in the year are as follows:

Capital outlays	\$ 3,043,363	
Depreciation expense	<u>(439,453)</u>	2,603,910

Interest on long-term debt in the Statement of Activities differs from  
 the amount reported in the governmental funds because interest is  
 recorded as an expenditure in the funds when due. In the Statement  
 of Activities, interest expense is recognized as the interest accrues,  
 regardless of when it is due.

4,781

Repayment of long-term debt liabilities is an expenditure in the  
 governmental funds, but the repayment reduces long-term liabilities

in the Statement of Net Assets.

225,000

Change in net assets of governmental activities (Exhibit B) \$ 2,885,822

## BELMOND-KLEMM COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Fund

Year ended June 30, 2009

	<u>School Nutrition</u>
Operating revenue:	
Local sources:	
Charges for services	\$ 146,166
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	92,849
Benefits	14,672
Supplies	190,394
Depreciation	9,467
Total operating expenses	<u>307,382</u>
Operating (loss)	<u>(161,216)</u>
Non-operating revenues:	
Interest on investments	911
State sources	3,471
Federal sources	<u>160,841</u>
Total non-operating revenues	<u>165,223</u>
Change in fund net assets	4,007
Net assets beginning of year	<u>131,188</u>
Net assets end of year	<u>\$ 135,195</u>

See notes to financial statements.



## BELMOND-KLEMME COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2009

	<u>Enterprise</u> <u>School</u> <u>Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 140,473
Cash payments to employees for services	(112,211)
Cash payments to suppliers for goods or services	<u>(163,824)</u>
Net cash (used by) operating activities	<u>(135,562)</u>
Cash flows from non-capital financing activities:	
State grants received	3,471
Federal grants received	<u>133,025</u>
Net cash provided by non-capital financing activities	<u>136,496</u>
Cash flows from capital financing activities:	
Acquisition of capital assets	(69,194)
Cash flows from investing activities:	
Interest on investments	<u>911</u>
Net (decrease) in cash and cash equivalents	(67,349)
Cash and cash equivalents beginning of year	<u>113,296</u>
Cash and cash equivalents end of year	<u>\$ 45,947</u>
<b>Reconciliation of operating (loss) to net cash used by operating activities:</b>	
Operating (loss)	\$ (161,216)
Adjustments to reconcile operating (loss) to net cash (used by) operating activities:	
Depreciation	9,467
Commodities used	27,816
(Increase) in inventory	(1,246)
(Decrease) in accrued salary and benefits	(4,690)
(Decrease) in unearned revenues	<u>(5,693)</u>
	<u>\$ (135,562)</u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2009, the District received federal commodities valued at \$27,816.

See notes to financial statements.

## BELMOND-KLEMME COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2009

	Private Purpose Trusts
	<u>                    </u>
<b>Assets</b>	
Cash and pooled investments	\$ 1,268,689
<b>Total assets</b>	<u>1,268,689</u>
<b>Net Assets</b>	
Reserved for scholarships	<u>1,268,689</u>
<b>Total net assets</b>	<u>\$ 1,268,689</u>

See notes to financial statements.

## BELMOND-KLEMM COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2009

	Private Purpose Trusts
Additions:	
Local sources:	
Other	\$ 15,996
Deductions:	
Support services:	
Other	<u>83,774</u>
Change in net assets	(67,778)
Net assets beginning of year	<u>1,336,467</u>
Net assets end of year	<u><u>\$ 1,268,689</u></u>

See notes to financial statements.

**BELMOND-KLEMMER COMMUNITY SCHOOL DISTRICT**

**Notes to Financial Statements**

**June 30, 2009**

**(1) Summary of Significant Accounting Policies**

Belmond-Klemme Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Belmond and Klemme, Iowa, and agricultural territory in Wright, Hancock and Franklin Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standard Board.

**A. Reporting Entity**

For financial reporting purposes, Belmond-Klemme Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Belmond-Klemme Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Wright and Hancock County Assessor's Conference Boards.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The District has elected to treat all funds as major funds for clarity of presentation.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Physical Plant and Equipment Levy Fund is utilized to account for the maintenance and equipping of the District's facilities.

The Debt Service Fund is used to account for the payment of interest and principal on the District's long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Balance

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year become effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2008.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Amount</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent federal program funds.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability is deemed to be immaterial at June 30, 2009.

Long-Term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures exceeded the amounts budgeted in the instruction and non-instructional programs functions. The District did not exceed its General Fund unspent authorized budget.

## (2) **Cash and Pooled Investments**

The District's deposits at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$2,857,622</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.



Interest rate risk - The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit risk - The investments in the Iowa School Joint Investment Trust were rated Aaa by Moody's Investors Service.

### (3) Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 51,314	-	-	51,314
Capital assets being depreciated:				
Land Improvements	14,191	-	-	14,191
Buildings	2,897,716	8,712,721		11,610,437
Furniture and Equipment	3,102,338	561,692	-	3,664,030
Construction in progress	6,231,050	-	6,231,050	-
Total capital assets being depreciated	12,245,295	9,274,413	6,231,050	15,288,658
Less accumulated depreciation for:				
Land Improvements	2,839	568	-	3,407
Buildings	2,742,336	233,605	-	2,975,941
Furniture and Equipment	2,748,233	205,280	-	2,953,513
Total accumulated depreciation	5,493,408	439,453	-	5,932,861
Total capital assets being depreciated, net	6,751,887	8,834,960	6,231,050	9,355,797
Governmental activities, capital assets, net	\$ 6,803,201	8,834,960	6,231,050	9,407,111
<b>Business type activities</b>				
Furniture and Equipment	\$ 44,415	69,194	-	113,609
Less accumulated depreciation	17,824	9,467	-	27,291
Business type activities capital assets, net	\$ 26,591	59,727	-	86,318

Depreciation expense was charged to the following functions:

<b>Governmental activities:</b>		
Student transportation		\$ 38,458
Unallocated		400,995
		<u>\$ 439,453</u>
<b>Business type activities:</b>		
Food service operations		<u>\$ 9,467</u>

**(4) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2009 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investment</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>	<u>Unamortized Premium</u>
2008-09B	1/21/09	1/21/10	1,289,320	11,892	1,273,000	16,741	13,888
2009-10A	6/25/09	6/23/10	<u>1,482,101</u>	<u>183</u>	<u>1,459,000</u>	<u>500</u>	<u>28,243</u>
Total			<u>\$2,771,421</u>	<u>12,075</u>	<u>2,732,000</u>	<u>17,241</u>	<u>42,131</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2009 is as follows:

<u>Series</u>	<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
2008-09A	\$ -	475,000	475,000	-
2008-09B	-	<u>275,000</u>	<u>275,000</u>	-
	<u>\$ -</u>	<u>750,000</u>	<u>750,000</u>	<u>-</u>

The warrants bear interest rate and the proceeds of the warrants are invested at an interest rate as shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2008-09A	3.500%	3.469%
2008-09B	3.000%	2.110%
2009-10A	2.500%	0.902%

**(5) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$258,740, \$235,306, and \$210,980 respectively, equal to the required contributions for each year.

**(6) Risk Management**

Belmond-Klemme Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(7) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$270,167 for year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(8) Contingencies**

The District is involved in litigation with a former employee regarding improper termination. The District paid damages of \$96,773 on one portion. The other portion was decided in favor of the District, however, it is under appeal. According to legal counsel, the District is likely to prevail on the second portion resulting in no further liability.

**(9) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	General Obligation Bonds
Balance beginning of year	\$6,170,000
Additions	-
Reductions	<u>225,000</u>
Balance end of year	<u>\$5,945,000</u>

General Obligation Bonds

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2010	4.000%	\$ 235,235	235,000	470,235
2011	4.000	225,365	250,000	475,365
2012	4.000	215,365	260,000	475,365
2013	4.000	204,965	275,000	479,965
2014	4.000	193,965	290,000	483,965
2015	4.000	182,365	300,000	482,365
2016	4.000	170,365	320,000	490,365
2017	4.000	157,565	335,000	492,565
2018	4.000	145,003	345,000	490,003
2019	4.000	131,893	360,000	491,893
2020	4.050	118,033	375,000	493,033
2021	4.100	103,408	390,000	493,408
2022	4.125	88,198	405,000	493,198
2023	4.150	72,200	425,000	497,200
2024	4.200	55,200	440,000	495,200
2025	4.250	37,600	460,000	497,600
2026	4.300	<u>19,200</u>	<u>480,000</u>	<u>499,200</u>
Total		<u>\$2,355,925</u>	<u>5,945,000</u>	<u>8,300,925</u>

**(10) Financial Condition**

The General Fund had a negative fund balance of \$86,855 at June 30, 2009.

**(11) Interfund Transfers**

The detail of Interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$260,388

## **Required Supplementary Information**

**BELMOND-KLEME COMMUNITY SCHOOL DISTRICT**

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2009

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
<b>Revenues</b>						
Local sources	\$ 6,199,158	147,077	6,346,235	5,171,386	5,171,386	1,174,849
State sources	3,847,134	3,471	3,850,605	3,930,859	3,930,859	(80,254)
Federal sources	363,432	160,841	524,273	390,500	390,500	133,773
Total revenues	<u>10,409,724</u>	<u>311,389</u>	<u>10,721,113</u>	<u>9,492,745</u>	<u>9,492,745</u>	<u>1,228,368</u>
<b>Expenditures/Expenses</b>						
Instruction	5,196,757	-	5,196,757	5,140,500	5,140,500	(56,257)
Support services	1,797,789	-	1,797,789	2,294,000	2,294,000	496,211
Non-instructional programs	8,017	307,382	315,399	275,000	275,000	(40,399)
Other expenditures	3,362,652	-	3,362,652	5,344,801	5,344,801	1,982,149
Total expenditures/expenses	<u>10,365,215</u>	<u>307,382</u>	<u>10,672,597</u>	<u>13,054,301</u>	<u>13,054,301</u>	<u>2,381,704</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	44,509	4,007	48,516	(3,561,556)	(3,561,556)	3,610,072
Other financing sources (uses)	<u>5,370</u>	<u>-</u>	<u>5,370</u>	<u>-</u>	<u>-</u>	<u>5,370</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	49,879	4,007	53,886	(3,561,556)	(3,561,556)	3,615,442
Balance beginning of year	<u>2,801,496</u>	<u>131,188</u>	<u>2,932,684</u>	<u>4,229,724</u>	<u>4,229,724</u>	<u>(1,297,040)</u>
Balance end of year	<u>\$ 2,851,375</u>	<u>135,195</u>	<u>2,986,570</u>	<u>668,168</u>	<u>668,168</u>	<u>2,318,402</u>

See accompanying independent auditor's report.

**BELMOND-KLEMM COMMUNITY SCHOOL DISTRICT**

**Note to Required Supplementary Information - Budgetary Reporting**

**Year ended June 30, 2009**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2009, expenditures exceeded the amounts budgeted in the instruction and non-instructional programs functions. The District did not exceed the General Fund unspent authorized budget.

## Other Supplementary Information



## BELMOND-KLEMME COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Individual Student Activity Accounts

Year ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Interest on Investments	\$ 1,362	299	1,661	-
Pictures	634	1,399	1,086	947
Student Activities	55	868	689	234
Gifts & Donations	548	-	-	548
DARE/FREE FORCE	1,257	-	-	1,257
Special Needs Fund	17	-	17	-
Nursing Services	1,510	700	8	2,202
Diversity Team	73	-	-	73
Elementary Activities	1,801	5,475	5,306	1,970
Elementary Band	1,562	420	334	1,648
Elementary Chorus	1,058	2,658	2,370	1,346
5th Grade Activities	1,111	-	204	907
Boxtops for Education	3,151	2,042	-	5,193
Jump Rope for Heart	-	-	-	-
Special Ed Track Fund	383	-	40	343
Basket Auction	1	-	-	1
JH Student Council	918	-	719	199
JH Vocal	1,240	420	18	1,642
JH Band	3,237	420	177	3,480
JH Cheerleaders	80	-	-	80
JH Annual	-	829	829	-
Student Council	5,096	4,031	5,425	3,702
Pop Machine	787	4,704	5,491	-
Pencil Machine	3	-	3	-
Drama	4,520	1,592	1,733	4,379
Vocal Activity	-	6,213	6,141	72
Choir Robes	348	350	-	698
Band Activity	2,376	2,403	1,424	3,355
Athletics	(26,230)	58,050	48,778	(16,958)
Cheerleaders	2,840	1,790	2,258	2,372
Spanish Club	83	220	227	76
Industrial Arts Project	2,511	161	(1)	2,673
Yearbook	223	12,005	12,228	-
FFA	3,517	12,176	11,947	3,746
NHS	236	1,284	889	631
Peer Helper	103	247	247	103
After Prom Party CD	3,500	-	-	3,500
At Risk Activities	3,149	-	-	3,149
Class of 2006	87	-	87	-
Class of 2008	3	-	3	-
Class of 2009	139	-	139	-
Class of 2010	-	50	50	-
Class of 2011	-	195	195	-
Class of 2012	-	44	44	-
Band & Vocal Trip	1,315	-	1,315	-
Jr Class Prom Account	668	569	827	410
Uniform Account	-	7,680	7,244	436
Magazine Fund Raiser	-	9,322	9,322	-
Totals	\$ 25,272	138,616	129,474	34,414

See accompanying independent auditor's report.

## BELMOND-KLEMM COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Private Purpose Trusts

Year ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Courson Memorial	\$ 2,479	88	-	2,567
Luin Cox Memorial	5,178	1,472	1,500	5,150
George Heginger Fund	41,156	1,721	1,600	41,277
Dr. Samuel Leinbach Fund	10,891	348	500	10,739
Al Mattison Music Scholarship	9,250	161	-	9,411
Archie Stockseth Fund	77,469	2,579	1,200	78,848
Belmond-Klemme Scholarship Foundation	1,029,161	6,402	46,100	989,463
Dana & Avis Howell Fund	142,888	2,656	32,024	113,520
King Solomon Scholarship	11,142	321	600	10,863
Mark J. Schmidt Scholarship	6,853	248	250	6,851
Totals	<u>\$ 1,336,467</u>	<u>15,996</u>	<u>83,774</u>	<u>1,268,689</u>

See accompanying independent auditor's report.

## BELMOND-KLEMM COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Six Years

	Modified Accrual Basis				
	2009	2008	2007	2006	2005
<b>Revenues:</b>					
Local sources:					
Local tax	\$ 3,477,795	3,397,022	3,391,473	3,143,961	3,010,728
Tuition	253,437	278,062	337,280	457,240	228,547
Other	2,467,926	1,072,977	1,217,864	482,802	271,543
State sources	3,847,134	3,654,615	3,425,385	3,407,790	3,194,457
Federal sources	363,432	452,036	170,950	141,935	270,606
Total	<u>\$ 10,409,724</u>	<u>8,854,712</u>	<u>8,542,952</u>	<u>7,633,728</u>	<u>6,975,881</u>
					2,906,114
					175,999
					344,871
					2,949,118
					226,927
					6,603,029
<b>Expenditures:</b>					
Instruction	\$ 5,196,757	5,033,150	4,751,479	4,795,854	4,411,373
Support services:					
Student	158,483	152,856	146,282	186,191	184,943
Instructional staff	278,353	255,652	210,654	318,198	481,458
Administration	659,990	829,602	767,274	716,342	632,174
Operation and maintenance of plant	557,868	579,071	545,827	528,848	872,689
Transportation	268,095	365,530	289,803	387,171	307,041
Central support	-	-	-	-	-
Non-instructional programs:					
Food service operations	8,017	8,373	7,156	4,722	3,697
Other expenditures:					
Facilities acquisition	2,497,287	6,078,383	1,245,276	52,278	-
Debt Service:					
Principal	225,000	100,000	-	-	-
Interest and service charges	245,198	353,217	-	-	-
AEA flowthrough	270,167	249,656	242,705	235,017	253,391
Total	<u>\$ 10,365,215</u>	<u>14,005,490</u>	<u>8,206,456</u>	<u>7,224,621</u>	<u>7,146,766</u>
					237,069
					6,846,358

See accompanying independent auditor's report.

## BELMOND-KLEMM COMMUNITY SCHOOL DISTRICT

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
National School Breakfast Program	10.553	FY09	\$ 22,842
Food Distribution (non-cash)	10.555	FY09	27,816
National School Lunch Program	10.555	FY09	<u>110,183</u>
			<u>160,841</u>
Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	0594-G-09	73,702
Safe and Drug-Free Schools and Communities - States Grants	84.186	FY09	2,133
Improving Teacher Quality - States Grants	84.367	FY09	22,873
Grants for Assessments and Related Activities	84.369	FY09	4,388
Vocational Education - Basic Grants to States	84.048	FY09	3,108
Iowa Demonstration Construction Grant	84.215	FY09	218,223
Area Education Agency 267			
Special Education - Grants to States (IDEA Part B)	84.027	FY09	<u>39,005</u>
Total			<u>\$ 524,273</u>

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Belmond-Klemme Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basis financial statements.

See accompanying independent auditor's report.

# BRUCE D. FRINK

Certified Public Accountant

**Independent Auditor's Report on Internal Control over Financial  
Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**

**Member:**

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

**Services:**

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance

**Plus:**

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of the  
Belmond-Klemme Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Belmond-Klemme Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 25, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Belmond-Klemme Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Belmond-Klemme Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Belmond-Klemme Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Belmond-Klemme Community School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Belmond-Klemme Community School District's financial statements that is more than inconsequential will not be prevented or detected by Belmond-Klemme Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Belmont-Klemme Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items I-A-09 and I-B-09 are material weaknesses.

#### Compliance and Other Matters

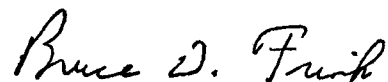
As part of obtaining reasonable assurance about whether Belmont-Klemme Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Belmont-Klemme Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Belmont-Klemme Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Belmont-Klemme Community School District and other parties to whom Belmont-Klemme Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Belmont-Klemme Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



**BRUCE D. FRINK**  
**Certified Public Accountant**

March 25, 2010

# BRUCE D. FRINK

Certified Public Accountant

**Independent Auditor's Report on Compliance with Requirements**  
**Applicable to Each Major Program and on Internal Control**  
**over Compliance in Accordance with OMB Circular A-133**

**Member:**

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

**Services:**

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance

**Plus:**

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of  
Belmond-Klemme Community School District:

**Compliance**

We have audited the compliance of Belmond-Klemme Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Belmond-Klemme Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants agreements applicable to each of its major federal programs is the responsibility of Belmond-Klemme Community School District's management. Our responsibility is to express an opinion on Belmond-Klemme Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Belmond-Klemme Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Belmond-Klemme Community School District's compliance with those requirements.

In our opinion Belmond-Klemme Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

**Internal Control Over Compliance**

The management of Belmond-Klemme Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Belmond-Klemme Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Belmond-Klemme Community School District's internal control over compliance.

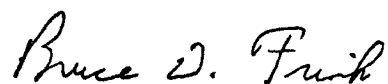
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies that result in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be material weakness.

Belmond-Klemme Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Belmond-Klemme Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Belmond-Klemme Community School District and other parties to whom Belmond-Klemme Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



**BRUCE D. FRINK**  
**Certified Public Accountant**

March 25, 2010



**BELMOND-KLEMME COMMUNITY SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Part I: Summary of the Independent Auditor's Results**

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs was disclosed by the audit of the financial statements, which was considered to be a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 10.555 - National School Lunch Program
  - CFDA Number 10.553 - National School Breakfast Program
  - CFDA Number 84.215 - Iowa Demonstration Construction Grant
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Belmond-Klemme Community School District did not qualify as a low-risk auditee.

**BELMOND-KLEMM COMMUNITY SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**SIGNIFICANT DEFICIENCIES:**

II-A-09     Segregation of Duties - One important aspect of the internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although the District does a fine job of dividing incompatible duties among existing personnel, the District Secretary still has the ability to override the system without the knowledge of any other personnel.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

II-B-09     Auditor Drafting of the Financial Statements and Related Footnote Disclosures

Comment - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 112, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy, we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

**BELMOND-KLEMME COMMUNITY SCHOOL DISTRICT**

**Schedule of Findings and Questioned Costs**

Year ended June 30, 2009

**Part III: Findings For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**SIGNIFICANT DEFICIENCIES:**

CFDA Number: 84.215 Iowa Demonstration Construction Grant

Federal Award Year: 2009

US Department of Education

Passed through Iowa Department of Education

CFDA Number: 10.553 School Breakfast Program

10.555 National School Lunch Program

Federal Award Year: 2009

US Department of Agriculture

Passed through Iowa Department of Education

III-A-09     Segregation of Duties - The District did not properly segregate custody, record keeping and reconciling functions for funds, including those related to Federal programs.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response and Corrective Action Planned - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-09     Certified Budget - Expenditures for the year ended June 30, 2009, exceed the amount budgeted in the instruction and non-instructional programs functions. The District did not exceed its unspent authorized budget for the year ended June 30, 2009.

Recommendation - While not exceeding the total amount budgeted, the budget for the individual functions should have been amended.

Response - We will amend future budgets

Conclusion - Response accepted.

IV-B-09     Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

**BELMOND-KLEMM COMMUNITY SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Part IV: Other Findings Related to Required Statutory Reporting:**  
**(continued)**

- IV-C-09      Business Transactions - No business transactions between the District and District officials or employees were noted.
- IV-D-09      Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- IV-E-09      Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-F-09      Certified Enrollment - No variance in the basic enrollment data certified to the Department of Education were noted.
- IV-G-09      Deposit and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- IV-H-09      Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
- IV-I-09      Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-J-09      Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance	\$	-
Statewide sales and services tax revenue		300,852
Expenditures/transfers out:		
School infrastructure:		
Building		<u>(300,852)</u>
Ending balance	\$	<u>-</u>

**BELMOND-KLEMM COMMUNITY SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Part IV: Other Findings Related to Required Statutory Reporting:**  
**(continued)**

IV-K-09      Deficit Balance - Several student activity accounts had deficit balances at June 30, 2009. The General Fund had a deficit balance of \$86,855 at June 30, 2009.

Recommendation - The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response - The District is continuing to investigate alternatives to eliminate deficits in the General Fund and student activity accounts at the end of the fiscal year.

Conclusion - Response accepted.